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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 92-77
Billed Party Preference	)	
for 0+ InterLATA Calls	)	

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REPLY COMMENTS OF SPRINT CORPORATION

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SUMMARY

In deciding whether to implement billed party preference, the Commission faces a fundamental choice. If it preserves the status quo, the Commission will be placing its imprimatur on a system that inherently encourages private payphone providers and alternative operator service providers to overcharge unwary or captive customers for the services they provide and that also preserves AT&T's pre-divestiture monopoly advantages over other full-service long distance competitors -- large and small -- in the operator service and related market segments. On the other hand, billed party preference will refocus competition on providing the best service to the public at the lowest possible price, will allow customers of all long distance carriers to use the most convenient and least confusing dialing method, will level the competitive playing field in the long distance market, and will restore the public's confidence in the integrity of the telecommunications network and faith in its method of regulation.

Sprint's reply comments are concentrated on criticisms of the Commission's analysis of the costs and benefits of implementing billed party preference. The Commission has substantially underestimated the amounts currently charged by alternative operator service providers for the calls they handle -- amounts that would be saved by consumers if billed party preference were implemented -- and the amount of

commissions paid, particularly by large OSPs such as Sprint, AT&T and MCI, which also would be saved in a system of billed party preference.

Many parties have criticized the Commission's assumption that operator service traffic would grow at an annual 4.3% rate and that dial-around traffic would account for only 50% of the total traffic from public phones in 1997. However, they offer no concrete evidence that the traffic growth rate is as low as they claim, and Sprint believes that dial-around traffic is unlikely to increase, between now and 1997, at the pace alleged by these parties.

Moreover, the principal factor cited for a diminution in the growth of operator services is the use by consumers of debit cards or wireless services to place their away-from-home calls. What these parties overlook is that those services cost more to use than calling cards used on the networks of major OSPs, and after BPP is implemented, it can be expected that callers who switched from using calling cards to debit cards or wireless services, for fear of being charged the even higher rates of some alternative OSPs, will revert to the less costly and more convenient use of 0+ calling cards for their away-from-home calls. This will produce the same type of cost-saving benefit to the public that the Commission assumed from diversion of traffic from alternative OSPs to carriers that charge competitive rates. In short, there is no hard evidence that the Commission's estimate of the benefits to the public of using BPP was overstated, and on the contrary, it may have been substantially understated.

With respect to costs, the evidence shows that many large LECs have substantially reduced their estimate of BPP implementation costs since such estimates were previously provided to the Commission. In addition, there appears to be substantial room for reducing these costs even further if, as Sprint has proposed, OSS7 signalling is not deployed to end offices and if customer notification, rather than balloting, is used to implement BPP. The one area where many carriers show an increase in projected expense is for "live" operators. However, their increases are not explained or documented, and Sprint believes that the reduced need for "live" operator handling of local and intraLATA calls due to deployment of AABS (which automates handling of many calls) may substantially offset the increase in operators needed to handle interLATA calls.

Thus, Sprint believes that the quantifiable benefits of BPP clearly outweigh the implementation costs. However, even if that were not the case, the Commission must bear in mind that many of the benefits of BPP -- perhaps some of the most important benefits -- cannot be easily quantified in dollars and cents. The simplification of dialing methods that consumers must use to reach the carrier of their choice, equalizing competitive opportunities in the long distance industry and ending the advantages AT&T was able to carry over from its pre-divestiture monopoly, eliminating the need for this Commission and state regulatory commissions to deal with consumer complaints and enforce regulations that merely treat the symptoms, not the root cause, of the problems that now exist in the operator service industry, and restoring the public's faith that the system "works right" -- these are all important benefits which would, in and of themselves, justify implementation of billed party preference.

Contrary to the claims by BPP's opponents, access code dialing and the requirements of the TOCSIA legislation are no substitutes for BPP. Some consumers may use access codes to avoid the possible high charges of alternative OSPs, but they would much prefer to reach their preferred carrier on a 0+ basis, and no consumers willingly pay high rates for their calls. In addition, consumer complaints to the Commission are at an even higher level now than they were before the TOCSIA legislation was passed, and there is widespread non-compliance with the requirements of that legislation today. Nor can it be argued that the threat of dial-around traffic gives alternative OSPs an incentive to moderate their rates. On the contrary, they appear to be increasing their rates to offset their loss of business from dial-around traffic.

Many parties also propose a rate cap on operator services as an alternative to BPP, but since there are hundreds and possibly thousands of OSPs that would be subject to the rate cap (every private payphone provider using "smart" or "store-and-forward" technology in its phones is an OSP), the Commission could not possibly hope to effectively enforce a rate cap. Moreover, the alternative OSPs that propose such rate caps are really not seeking a rate cap at all. Rather, they are seeking to swamp the Commission with hundreds or thousands of rate proceedings. It would make no sense for the Commission to consider a rate cap with such an escape valve without also revisiting its open entry policies under its Competitive Carrier Rulemaking decisions. It is impossible to reconcile the public convenience and necessity requirements of Section 214(a) of the Act with certification of carriers who claim that they must charge rates significantly higher than the rates of full service carriers for the indefinite future. Certainly, Sprint and MCI could not have successfully entered the long distance market had they done so by charging rates well above those of AT&T.

This is not a close case. Adopting BPP is the right thing to do, for the sake of consumers, and for the sake of creating a level competitive playing field in the long distance market.

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REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby replies to the initial comments of other parties in response the Commission's Further Notice of Proposed Rulemaking in the above-captioned proceeding (FCC 94-117, released June 6, 1994).

I. INTRODUCTION

The debate over billed party preference is not new to the Commission, and not surprisingly, the initial comments in response to the Further Notice add very little, in terms of new policy considerations, to that debate. The Commission now faces a fundamental choice. If it preserves the status quo, the Commission will be placing its imprimatur on a system that inherently encourages private payphone providers and alternative operator service providers to abuse unwary or captive consumers by grossly overcharging for the services they provide, and that preserves AT&T's pre-divestiture monopoly advantages over other full-service long distance competitors, large and small, in the operator service and related market segments. If, on the other hand, the Commission goes forward with billed party preference, it will refocus competition on providing the best service to the public at the lowest possible price, will allow customers of all long distance carriers to use the most convenient and least confusing dialing method, will level the competitive playing field in the long distance market, and will restore the public's confidence in the integrity of the telecommunications network and faith in its method of regulation.

Most parties filing comments oppose billed party preference, but to a large extent, their reasons for doing so have already been considered and addressed in the Further Notice and in Sprint's initial comments. The comments also reflect disagreement on a number of implementation issues. However, Sprint believes the reasons underlying its positions on those issues were explained in its comments, and it will seek to avoid burdening the Commission with undue repetition. Sprint will concentrate its reply comments on the criticisms of the Commission's analysis of the benefits and costs of implementing BPP, and then turn to various issues that require a brief response or further discussion.

Before turning to a point-by-point discussion of the cost benefit analysis, however, it bears reiterating that many of the important public interest benefits of BPP are not easily quantifiable in dollars and cents. See, Sprint's Comments at 5-6, 22-27. Such benefits include simplifying dialing methods that consumers must use in order to reach their desired carrier, equalizing competitive opportunities in the interexchange market, elimination of the regulatory burdens that now fall upon this Commission and state regulatory commissions dealing with consumer complaints and attempting to enforce stop-gap regulations that merely treat the symptoms, not the root cause, of the problems that now exist in the operator services industry. Perhaps most importantly, BPP would restore the public's faith that the system "works right." In view of the low unit costs of implementing BPP,[1] these intangible benefits would be more than sufficient, in and of themselves, to warrant its adoption.

II. THE COMMISSION'S COST/BENEFIT ANALYSIS, IF ANYTHING, UNDERSTATES THE FAVORABLE BENEFIT-TO-COST RATIO OF IMPLEMENTING BPP

A. The Benefits of Implementing BPP

1. Price Reductions to Consumers

The first quantifiable benefit of BPP discussed in the Further Notice is the savings to consumers from avoiding high-priced alternative OSPs, which the Commission estimated at approximately $280 million per year in 1997 (¶11). This calculation assumed a $.19 per minute rate differential between AT&T, MCI and Sprint, on the one hand, and third-tier OSPs on the other; a 4.3% annual growth rate in revenues between 1991 and 1997; a drop in third-tier OSP market share

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[1] For example, the unit costs, for cost/benefit purposes, for Sprint's local exchange carriers (which, because they serve largely low-density areas, should have above-average unit costs), amount to less than 8¢ per 0+/0- call. See, Sprint Comments at 31-32 (annual implementation costs, including recovery of one-time costs and investments of $7.6 million and estimated demand (interLATA calls only) of 100 million calls annually).

from 12.7% of minutes in 1991 to 8.5% in 1997; and that 23.8% of the third-tier OSP revenues are from intraLATA calls.

Before discussing these assumptions, Sprint will address an attack on the Commission's underlying premise. NYNEX (at 7) disputes the Commission's assumption that third-tier OSPs would charge the same rates as the large OSPs if BPP is implemented, arguing that it is unlikely that their costs of providing service are the same as those of the three largest carriers. NYNEX misses the point. Under billed party preference, carriers that charge above-competitive rates will not be able to win the favor of consumers, and thus they must either reduce their rates or suffer a loss of business. NYNEX's assumption to the contrary simply reveals a misunderstanding of how competitive markets operate.

The only reason alternative OSPs can charge above-competitive rates today is because they are selected in the first instance by premises owners and used by unsuspecting consumers or consumers who are unable to avoid using the presubscribed 0+ carrier selected by the premises owner. Consumers who make away-from-home calls only on an occasional basis may not be aware of the rates charged by alternative OSPs and may not even be aware that the name of the OSP is disclosed on a sign on a payphone or a tent card in the hotel room (if in fact it is). Even more experienced consumers may find themselves in circumstances where they have little choice but to use a price-gouger. A passenger in a hurry to catch a plane and who only has a LEC-issued calling card (or finds that access codes for his or her IXC-issued card have been blocked) may simply lack the time to go off the airport premises to search for a phone that is presubscribed to a competitively-priced OSP. A parent, concerned about a son or daughter traveling on the road, is not likely to refuse to accept a collect call even if the parent is aware that the call is being carried by a price-gouger. With BPP, these consumers, not the premises owner, will preselect the carrier that handles such calls, and there is no reason to believe they will preselect a carrier that charges substantially more than competitive full-service carriers.

a. The rate differential between the large OSPs and third-tier OSPs is grossly understated

As Sprint pointed out in its initial comments (at 13-15), the Commission's analysis substantially understated the differences in charges between alternative operator service providers and full service carriers such as Sprint, AT&T and MCI. Sprint pointed out that its own average revenue per minute from calling card and operator assisted calls in 1991 was 29.1¢, and that this figure had increased only slightly to 30.3¢ in 1993. Sprint has no reason to believe the average revenue for AT&T and MCI should be significantly different. These average rates are well under the 34¢ per minute assumed by the Commission. More importantly, as will be shown below, the Commission has grossly understated the rates now being charged by alternative operator service providers.

A few opponents of BPP argue that the Commission's assumptions about the differential between large and third-tier OSP rates is overstated, but their arguments are based upon hypothesis and assumption, rather than on concrete facts. Bell Atlantic states (at 3) that the Commission's rate differential is based on data from 1992 and that "there may simply be less price-gouging now than there was then... ." Bell Atlantic provides no evidence on what such carriers are charging today, but merely points to a statement in the Final TOCSIA Report[2] that OSPs whose rates were subject to investigation had reduced those rates. Bell Atlantic overlooks the fact that the rate reductions referred to occurred for the most part in the very beginning of 1992 and thus should have been reflected in 1992 data.

Given the prices they actually charge today, it is astounding that several alternative OSPs have the temerity to suggest that the Commission overstated the rate differential between themselves and full-service OSPs. Their arguments, too, are based on supposition rather than fact. American Network Exchange ("AMNEX") claims (at 5-6) that it "does not appear" that the Commission included property imposed fees (PIFs) in the rates of AT&T, MCI or Sprint, but that such charges "were probably included" in the data supplied by smaller carriers. AMNEX provides no evidence that AT&T, MCI

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[2] "Final Report of the Federal Communications Commission Pursuant to the Telephone Operator Consumer Services Improvement Act of 1991," November 13, 1992.

or Sprint imposed such fees on behalf of properties and likewise provides no evidence that such fees were included in the data supplied by third-tier OSPs.

ONCOR argues (at 16) that the Commission's assumptions as to the rate differential between large OSPs and third-tier OSPs is "highly speculative" and ignores possible rate increases by large OSPs, thereby suggesting, by implication, that the differential may be too small. For reasons that will become obvious later in this section, ONCOR does not tender any evidence as to the actual rate differentials being charged today.

ONCOR also faults the Commission for recognizing that OSPs will either lower their rates or lose 0+ traffic but does not assume any reduction in rates by such carriers in its cost/benefit analysis (id.). ONCOR clearly misunderstands the Commission's logic. The Commission's assumption that alternative OSPs will either lower their rates or lose 0+ traffic is in the context of a BPP environment. The public benefit from such lower rates is measured by the difference between third-tier OSP charges, absent BPP, and the assumption that such carriers would lower their rates to competitive levels in a BPP environment.

The Commission's assumption is clearly correct. Because of the economic incentives under the current system of presubscription of public phones, alternative OSPs do not have any market place discipline to require them to lower their rates to the public. However, in a BPP environment where an alternative OSP will get traffic only if consumers pre-select it as their preferred OSP, the only reasonable assumption is that such OSPs will have to offer rates that are commensurate with those of full service OSPs, or, alternatively, that their calls will be carried by OSPs that do charge competitive rates. ONCOR also challenges (id.) the Commission's assumption that the rate reductions that would take place in a BPP environment would apply to intrastate interLATA calls. However, there is no reason to believe that 0+ presubscription under BPP will not govern all 0+ interLATA calls, just as 1+ presubscription applies to all interLATA 1+ calls.

U.S. Long Distance (at 3) criticizes the Commission's analysis for having assumed that existing dial-around traffic will revert to 0+ after BPP. According to that carrier, the charge that will be imposed to recover the costs of BPP will encourage IXCs to continue to utilize dial-around access codes in order to avoid that charge, and backing out the dial-around traffic would substantially increase the average rate for 0+ calls for the large OSPs. This argument makes no sense. Two major proponents of BPP -- Sprint and MCI -- favor BPP so that they can offer their customers 0+ access instead of having to use access codes as is the case today, and AT&T will have little incentive to abandon the 0+ access it now enjoys if BPP is implemented. The modest charge that can be anticipated for recovery of the LECs' BPP implementation costs is likely to amount to only a penny or two per minute for a call of average length, which is too little to affect the Commission's analysis.

U.S. Long Distance (at 4) also faults the Commission for failing to make any allowance for rate increases by the large OSPs in the 1991-97 timeframe or decreases in third-tier OSP rates that "can be expected" in this period. U.S. Long Distance goes on to claim (id.) that AT&T's operator surcharge for collect calls increased 20% since data for the Final TOCSIA Report were accumulated and that MTS rates have also increased. However, overall, the operator services rates of the large IXCs have been relatively stable since 1991. As Sprint disclosed in its initial comments, its own average revenue per minute increased only slightly from 29.1¢ per minute in 1991 to 30.3¢ per minute in 1993, and there is no reason to believe, given the intense level of competition between it, AT&T and MCI, that the average revenues per minute of those two carriers are materially different from Sprint's. On the other hand, the only evidence U.S. Long Distance proffers that the third-tier OSP rates can be expected to decrease is a statement in its Final TOCSIA Report that the average sample charge of such carriers was trending downward. U.S. Long Distance, for good reason, provides no evidence of its actual current charges. As Sprint pointed out in its initial comments (at 15), that carrier's average rate per minute increased 32% from 1991 to 1993 to a level -- 73.4¢ per minute -- that is more than 2.4 times Sprint's average.

The protestations, discussed above, of alternative OSPs that the Commission has overstated the rate differential between large and small OSPs are simply disingenuous in view of what such carriers are actually charging today.

Sprint commissioned an independent market research firm, Decision Insight, to make LEC calling card and station-to-station collect calls to Kansas City from public phones presubscribed to alternative OSPs in the Atlanta, Chicago, Los Angeles, Phoenix and Tampa metropolitan areas. Calls were made during the various rating periods (daytime, evening, night/weekend) and used both customer-dialed (referred to as "TT") and operator-assisted (referred to as "OA") methods of completing the calls. More than 120 calls were made in total. The call detail for these calls is shown in Appendix 1.[3] The personnel receiving the calls timed the calls and disconnected after 7.5 minutes, so all the calls should have been 8 billable minutes in length. However, many calls were billed at 9 or more minutes.

The table on the following page shows the average charge imposed by the alternative OSPs for the various call types[4] and Sprint's current rates for such calls (assuming a length of 8 billable minutes). As can be seen from this table, the

[3] In addition to showing the actual charges for such calls, the appendix also shows the rates quoted for such calls by the OSP in cases where the party placing the call requested and received a rate quote.

[4] Where neither "TT" or "OA" data were available for a particular call, it was not included in the averages shown in the table.

COMPARISON OF ALTERNATIVE OSP CHARGES AND
SPRINT'S CHARGES FOR CALLS FROM PRESUBSCRIBED PUBLIC PHONES

Call Type and Period	Alternative OSPs ($)*	Sprint ($)	AOSP as % of Sprint
431-925 miles: LEC Calling Card			
TT - Day	7.53 (9)	2.96	254%
TT - Eve	8.82 (2)	2.32	380%
TT - N/W	5.60 (2)	2.08	269%
OA - Day	11.13 (4)	4.26**	261%
OA - Eve	10.99 (9)	3.62**	304%
OA - N/W	8.81 (2)	3.38**	261%
Collect (Station)			
TT - Day	10.28 (2)	4.26	241%
TT - Eve	11.67 (9)	3.62	322%
TT - N/W	11.02 (3)	3.38	326%
OA - Day	7.42 (8)	4.26	174%
OA - Eve	10.14 (3)	3.62	280%
OA - N/W	4.49 (3)	3.38	133%
925-1,910 miles: LEC Calling Card			
TT - Day	7.67 (5)	2.96	259%
TT - N/W	7.43 (2)	2.40	310%
TT - N/W	8.59 (4)	2.16	398%
OA - Day	8.50 (3)	4.26**	200%
OA - Eve	7.77 (5)	3.70**	210%
OA - N/W	-----	----	----
Collect (Station)			
TT - Day	7.44 (2)	4.26	175%
TT - Eve	8.46 (4)	3.70	228%
TT - N/W	8.06 (2)	3.46	233%
OA - Day	8.06 (4)	4.26	189%
OA - Eve	-----	----	----
OA - N/W	9.35 (2)	3.46	220%

* Numbers in parentheses indicate number of calls.

** Assumes caller used 0- dialing. Sprint's charges would have been $1.30 less if the caller dialed the called number, and then gave the live operator the calling card number.

average alternative OSP charges ranged up to 398% of Sprint's charges, and only for a few call types were they less than twice what Sprint would have charged. Taking a simple average of the ratios of the individual call types, the alternative OSPs' charges were 258% of Sprint's charges. Charges for individual calls shown in Appendix 1 were as much as 540% of Sprint's charges.

This is not the only available evidence of the rates actually charged by alternative OSPS. For example, the National Association of State Utility Consumer Advocates ("NASUCA"), in Attachment D to its comments, provides an April 14, 1994 letter to the Commission from the New York State Consumer Protection Board which, in Attachment A, p. 2 to that letter, shows that ONCOR charges $5.35 for a three-minute daytime calling card call from Albany, NY, to Washington, D.C., a rate that is 3.4 times the rates shown therein for full service carriers. For a daytime interstate directory assistance call charged to a calling card from Albany to Washington, ONCOR charges $10.18, more than six times as high as Sprint's current charge of $1.55.

A press release issued June 5, 1994 by Congressman Schumer and the Attorney General of New York, appended as Attachment F to NYNEX's Comments, discloses that calls from a typical "COCOT" phone in Manhattan's Upper West Side cost four to five times as much as the charges of large OSPs.

Exhibit A attached to the comments of Daniel J. Rooks, also illustrates the magnitude of existing rate differentials between alternative OSPs and large OSPs. In that exhibit, Mr. Rooks attaches bills showing charges for calls placed on his LEC calling card. Opticom/One Call Communications charged Mr. Rooks $4.69 for a one-minute LEC call on a Sunday morning from Ft. Wayne, Indiana to Woodstock, Georgia. Sprint's charge for such a call would be $0.95.[5] On May 9, 1994 ONCOR charged $8.11 for a two-minute daytime calling card call to Atlanta, Georgia from Clearwater, Florida; Sprint's charge for such a call would have been $1.34. In several instances, Opticom/One Call Communications charged Mr. Rooks between $8.20 and $8.68 for alleged three-minute calls from Marshall, Michigan to destinations in Georgia and Indiana during the "evening" time period. Mr. Rooks states that on each of these calls, he reached an answering machine and immediately hung up without leaving a message. Assuming a chargeable duration of one-minute, Sprint's rates for such calls would have been only 98-99¢. Conquest Operator Services Corp. charged Mr. Rooks $4.53 for a three-minute daytime call from Corbin, Kentucky to Smyrna, Georgia. Sprint's charge for such a call would be $1.58, roughly one-third of what Conquest charged. Mr. Rooks' bill also shows a charge by Ft. Wayne Payphones of $6.09 for

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[5] Because of time constraints, Sprint has "eyeballed" the distances between points discussed in this subsection, rather than computing the exact distances using V&H coordinates, for purposes of comparing Sprint's rates to those of alternative OSPs. It is unlikely that Sprint's actual charges would differ significantly from those shown in the text. There are also minor variations in Sprint's charges depending on whether the call originates from a payphone or a business/residential phone.

an eight-minute daytime call from Ft. Wayne, Indiana to Atlanta, Georgia. Sprint's charges for such a call would amount to $2.96, less than half of what Ft. Wayne Payphone charges. Ft. Wayne also charged Mr. Rooks $2.86 for interstate directory assistance calls; Sprint's charge for such calls charged to a calling card is now $1.55.

The Detroit Free Press reported, on August 18, 1994, that CTS Communication charged $8.65 for a two-minute local calling card call, which would only have cost $.87 if it had been placed through Ameritech. This article reports that the Attorney General of Michigan has threatened legal action against eight alternative operator service providers because of their high charges: ONCOR Communications, U.S. Long Distance, AMNEX, Value Added Communications, Capital Network System, CTS Communication, Unitech and Opticom.[6]

A recent column in the Detroit Free Press related the story of a woman who was unable to use her AT&T card from a payphone, and placed the calls through the 0+ carrier -- ONCOR -- instead. She was charged $244.81 for calls that, the consumer calculated, would have cost $27.50 on AT&T.[7]

The Washington Post reported last week that a 10-minute collect call from the District of Columbia jail to California

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[6] "Attorney General Tells Firms to Cut Long Distance Prices,", Detroit Free Press, August 18, 1994, 1E, 3E. This article and other newspaper articles cited herein are reproduced in Appendix 2.

[7] Esther Shapiro, "YOUR MONEY: Caller gets bad connection with long-distance carrier," Detroit Free Press, September 9, 1994, E3.

cost $3.95 in December, when Sprint was the carrier, but that an 11-minute call to the same number at the same time of day cost $19.64 in February, after ONCOR had replaced Sprint.[8] To place the charges on a comparable basis, Sprint's charge for an 11-minute call would have been $4.14. Thus, ONCOR's charges for the 11-minute call were nearly five times those of Sprint.

A recent informal complaint that was served on Sprint showed that ONCOR charged the complainant a total of $78.18 for five calling card calls totaling 63 minutes in duration, from Lincolnton, NC to Morehead, KY for an average charge of $1.24 per minute. Business Telecom, Inc., charged the same consumer a total of $17.27 for three calls, totaling 13 minutes, between those same locations, for an average charge of $1.33 per minute. By contrast, Sprint charged the same consumer $2.48 for a 12-minute call between the same two cities, for an average charge of less than $.21 per minute. See, Informal Complaint No. IC-94-07626.[9]

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[8] "District Says Bethesda Firm Violated Payphone Contract," , The Washington Post, September 7, 1994, D1 ("Washington Post Article").

[9] While Sprint's call was rated during the night/weekend period and the other calls were placed during the evening (four out of the five ONCOR calls) or day period (the fifth ONCOR call and the three Business Telecom calls), the difference in rating period does not begin to account for the difference between Sprint's charges and those of the alternative OSPs. For that distance, the difference between Sprint's the night-time rates and evening rates is only 3¢ per minute, and the difference between the night-time rates and the daytime rates is only 11¢ per minute.

AMNEX's informational tariff shows that for its most popular rate option, its charges for a ten-minute night/weekend calling card call for a thousand mile distance range from $4.80 to $7.28[10] whereas Sprint would only charge $2.40 for such a call.

Colleagues of the undersigned have provided evidence of similar overcharges on LEC calling card calls made by their friends or relatives. ONCOR Communications charged $4.60 for an out-of-state directory assistance call made from Colonial Beach, Virginia -- roughly three times what Sprint would have charged -- and then charged $9.19 for a five-minute weekend call to Cleveland, Ohio, and $15.36 for an 11-minute weekend call to Cleveland. Sprint's charges for those two calls would have been $1.55 and $2.45, respectively. Mid-Atlantic Telecom charged the same person $3.14 for a one-minute call from Rehoboth Beach, Delaware, to Washington, D.C., compared with Sprint's rate of $.96 for such a call. See, Appendix 3, attached. A relative of another Sprint employee made a three-minute call from Swansboro, North Carolina, to Kansas City, Kansas during the daytime period and was charged $11.90 by ONCOR. Sprint's current rate for such a call is only $2.91, just one-fourth of ONCOR's charges. This same person made a 24-minute call to Lebanon, Tennessee, from Havelock, North

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10 American Network Exchange, Inc., Informational Tariff, pages 23, 26. Such charges exclude PIFs ranging up to $1.25 per call and averaging $.86 per call (id.)

Carolina during the evening rate period via Call Concepts and was charged $9.55. Sprint's charge would have been $5.36.[11] See, Appendix 3.

In short, there is every reason to believe that the rate differential between the third-tier OSPs on the one hand and Sprint, AT&T and MCI on the other is far greater than the 55% assumed by the Commission. It would be reasonable, based upon the evidence discussed above, to assume that the average rate differential between alternative OSPs and the large OSPs is 150% -- i.e., that they charge 2.5 times the large OSPs' rates -- and that the differential will persist into the 1997 timeframe. If, as AT&T estimates (Comments at 7), these alternative OSPs account for 60% of all third-tier OSP minutes,[12] then the average third-tier OSP rates are 90% above the large OSP rates,[13] not 55% above as the Commission assumed.

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[11] Even though the call was placed at 7:52 p.m., which is in the traditional evening rating period, the legend on the bill showed that the daytime rate was applied.

[12] This appears to be a conservative estimate. It reflects AT&T's assumption (n. 6 at 7) that such large third-tier OSPs as LDDS (now the fourth-largest IXC) charge operator service rates competitive with those of Sprint, AT&T and MCI. In fact, LDDS Metromedia charged $6.36 for an 8-minute night/weekend LEC calling card call from Elmhurst, IL to Kansas City whereas Sprint charges only $2.08 for such a call. Other examples of LDDS's charges are shown in Appendix 1.

[13] The average third-tier OSP rates, as an index of large OSP rates (assuming non-alternative carriers' rates are competitive with those of the large OSPs), would be (.4 x 100) + (.6 x 250) = 190, or 190% of the large OSPs' rates, or 90% above the large OSPs rates.